



## **CEPPS/NDI Quarterly Report: April 1 to June 30, 2005**

### **ASIA: POLITICAL PARTY STRATEGIES TO IMPROVE INTEGRITY (03531) CEPPS Core Project under USAID Cooperative Agreement No. DGC-A-00-01-00004-00**

**Project Dates: January 1, 2004 to June 30, 2005  
Total budget: \$150,000 Expenses to date: \$130,023.52**

#### **I. SUMMARY**

Though corruption poses challenges to wealthy and poor countries alike, countries undergoing democratic transition are particularly at risk. In South Asia, political corruption threatens the consolidation of democracy by undermining public confidence in political and economic institutions. Although efforts have been made at the national and regional levels to engage government institutions, civil society, academia and the media in the fight against corruption, political parties have been largely absent from the dialogue. At the same time, political parties, acting through the legislative process, have a critical role to play in designing anti-corruption measures and overseeing their enforcement. If political parties are to serve as effective instruments of reform, they must be an active voice in the corruption dialogue as well as build public confidence through greater party transparency and accountability.

To bring political parties into the dialogue on corruption, in March 2001 the National Democratic Institute (NDI) initiated a National Endowment for Democracy-funded regional Asia program, in which NDI and the Council of Asian Liberals and Democrats (CALD), a regional coalition of political parties based in Manila, implemented a program to promote political party reform in Cambodia, Indonesia, Malaysia, Nepal, the Philippines, South Korea, Taiwan and Thailand. To build on the momentum of that program, in January 2004 NDI, with funds from USAID, began a similar program in South Asia with an initial focus on Nepal and Bangladesh. The objective of this program is to enable representatives from political parties in Bangladesh and Nepal to share experiences and build within their respective parties a common commitment to promoting integrity in politics. These countries were selected because they are among those most affected by corruption in South Asia.

During this quarter, the Institute continued to distribute the final report of the "Political Party Initiatives to Promote Integrity in Nepal and Bangladesh" regional workshop, which was held in Kathmandu in June 2004. NDI/Nepal conducted a training of trainers in May 2005 that addressed, in part, issues of corruption. This training was designed as the first phase of a program to develop new potential leaders in each of Nepal's major political parties. An essential part of the curriculum was the fight against corruption and the promotion of integrity in leadership, and the training included steps each party should take to achieve these goals at both

the national and grassroots levels. NDI/Nepal made party reform the core of its work with political party leadership after the King declared the State of Emergency on February 1. In Bangladesh, the Institute produced a paper on the anti-corruption index, based on discussions with anti-corruption expert Frederick Schneider.

## **II. BACKGROUND**

Since Nepal's return to multi-party democracy in 1990, the nation has been marred by political instability, averaging one new government every year. Moreover, in 1995, a party formerly in parliament began an armed Maoist insurgency, resulting in the declaration of a state of emergency in 2001 and leading to the deaths of over 13,000 individuals to date. After Royal takeover in February 1, 2005, a six-member Royal Commission for Corruption for Corruption Control (RCCC) was formed by the King and granted judicial authority to investigate and take action against anyone suspected of corruption. In its first anti-corruption move, the RCCC summoned and interrogated six former ministers and 21 of their associates on corruption charges. The constitutional authority of this commission, particularly in relation to preexisting legal rulings and proceedings, remains in question.

In this context, Nepali citizens have become increasingly cynical toward a political system that appears to benefit political parties and politicians at the expense of the public. While most party constitutions have codes of conduct and disciplinary committees, enforcement mechanisms under these codes are weak and lack transparency. Party leaders admit privately that they attempt to deal discreetly with charges of misconduct against their members. There are signs of hope, however, that solutions can be found and implemented: there is a level of relative civility between the parties, there is an amount of recognition that internal reform is necessary to win the support of the people, and common problems by different actors in the country have been identified. In addition, Nepali parties participated in NDI's Political Party Strategies to Combat Corruption program and have expressed a desire for assistance in developing action plans based on assessments made in that program. Assisting them in developing this next phase of anti-corruption activity will advance their reform programs and should provide important experiences to share with parties in Bangladesh and elsewhere.

Bangladesh remains one of the poorest countries in the world, and the government faces tremendous challenges in fighting poverty and advancing the socioeconomic status of its people. Widespread political corruption undermines efforts to combat poverty; furthermore, current government efforts to tackle the problem are weak and the pace of reform slow. In 2004, Bangladesh again headed the list of the most corrupt countries as measured by Transparency International. Under pressure from the donor community, the government of Bangladesh has established, in legislation, a relatively independent Anti-Corruption Commission (ACC) to replace the dysfunctional Bureau of Anti-Corruption. Unfortunately, in the initial implementation of the ACC, numerous problems have arisen. The first head of the ACC resigned within a week, and the government subsequently refused to assign any personnel to the new agency. Despite its potential, the future prospects for the ACC remain ambiguous.

The financial operations of Bangladeshi political parties and candidates remain obscured by the lack of transparency in political and campaign finance practices. Even senior party

officials claim to be unaware of how much money is contributed to or spent by the party, as most donations are funneled directly into the hands of the party leader, bypassing official party channels. Political parties spend little on general activities or elections, relying instead on individual politicians, leaders and candidates to fund their activities independently. Due to the lack of party contributions and the great expenses involved in securing electoral victories, businesspersons have taken over politics and now constitute a majority of candidates.

According to party officials and civic leaders, many candidates seek office not to help the country through legislative action but rather to enhance their own financial interests. Once elected, some parliamentarians siphon money from the state through favorable business deals, contracts, and procurement rights to recoup their campaign spending and enrich their businesses. As long as political party fiscal practices continue to take place in an opaque and unregulated fashion, there will be little reduction in the negative infiltration of money into Bangladesh's system of governance.

### **III. PROGRAM ACTIVITIES**

#### *Distributing Conference Final Report*

NDI/Nepal continued to distribute the final report of the "Political Party Initiatives to Promote Integrity in Nepal and Bangladesh" regional workshop, which was held in Kathmandu in June 2004, to its political party partners. The report highlights the need for party reform in response to the political crisis in Nepal.

#### *Corruption Component of Training-of-Trainers (TOT) Workshop in Nepal*

From June 12 to 18, 2005, NDI/Nepal held a TOT leadership development workshop for political party Master Trainers (MTs). The program was jointly funded by this program's grant and a new, two-year CEPPS agreement that supports the Institute's citizen participation and political party development programs in Nepal. The TOT workshop accommodated over 26 party activists from seven political parties who received training on a wide range of topics, including: leadership principles; organizing trainings and workshops; party organization, development, outreach and reform; party messaging; campaigns and campaign finance; and corruption. In addition to sessions on these topics, participants received lessons facilitated by the Nepal Jaycees, a leadership training association, on how to serve as effective trainers. The training also included sessions on how to integrate underrepresented groups such as women, youth, and ethnic minorities into politics.

The anti-corruption component of this workshop received a great deal of emphasis, as political party development in Nepal will likely be stymied unless the public perception of party corruption is reduced. Trained participants will return to their respective parties with knowledge of how to promote party integrity. The preparation of new leadership will itself be a major step against corruption, as the entrenched leadership of the parties will gradually become more accountable at the grassroots level.

#### *Development of Report on Anti-Corruption Index: Bangladesh*

Corruption is commonly believed to be an impediment to economic growth and a hindrance to development progress. To address this concern, several organizations, most notably Transparency International (TI), have attempted to measure the size of corruption within developing countries. However, the credibility of these estimates has come under scrutiny due to methodological concerns. Specifically, the reliance of TI on survey-based estimates has caused some countries, admittedly those often at the bottom of the scale, to question both the estimates and the subsequent rankings. The TI survey is particularly controversial in Bangladesh as the country has been ranked as the world's most corrupt for the previous four years.

In response to concerns regarding corruption ranking methodology, NDI/Bangladesh initiated a research project to complement empirical measurements of corruption in developing countries. The study uses a multifaceted methodology and, in contrast to TI surveys, focuses on political corruption rather than bureaucratic corruption. Recognizing that the “underground economy” and corruption are intertwined, the assistance of Professor Frederick Schneider of the University of Linz was enlisted. Professor Schneider is an expert on anti-corruption and black market issues, and has developed a statistical tool which tracks the “underground economy” in countries such as Bangladesh. NDI met with Dr. Schneider in Linz on June 27 to discuss methodological and substantive issues.

After research results are analyzed from both Bangladesh and other countries, this project will propose a market model of political corruption. It is hoped this model will assist in better tailoring anti-corruption programming. As part of the broader corruption workplan, NDI Bangladesh is also devising a campaign spending index which will “track” the amount candidates and parties spent during the election year.

#### **IV. RESULTS AND ACCOMPLISHMENTS**

*Objective 1: Representatives from political parties across the political spectrum in Bangladesh and Nepal share experiences and build within their respective parties a common commitment to promoting integrity in politics.*

- In Nepal, the political crisis has in some ways helped the political parties to be more receptive to the argument for integrity within their parties and to discussions with NDI about pushing this agenda forward. NDI's Political Party working group met several times during this reporting period and carried this message to main party leaders. Partly as a result of NDI's efforts, party reform has become a part of the commitment to the future that political parties now make to the citizens of Nepal.
- The joint agenda of the seven-party alliance in Nepal includes an admission of past problems and a promise to improve behavior in the future, due in part to discussions with NDI.

- Each major party in Nepal now has five trainers prepared to pass on the lessons of party reform to twenty-five new leaders within each party this year through NDI's Leadership Development Training of Trainers program conducted in June.
- Planning is underway for a campaign spending index which will be part of future anti-corruption programming in Bangladesh. NDI initiated planning for the index during this quarter, and prepared a paper on the topic to be used for future activities.
- In Bangladesh during this quarter, NDI signaled to the political parties its renewed interest in campaign spending and corruption programs, meeting with parties regularly to discuss issues of internal party reform.
- NDI/Bangladesh has identified a core group of MPs and party officials willing to discuss and work towards reform. The Institute has also had discussions with donor agencies, civil society leaders and journalists regarding corruption, and has begun to explore possible next-steps.

## **V. EVALUATION**

Due to the complex nature of corruption, it is difficult to attribute actual or perceived differences in corruption directly to NDI's programs. However, NDI has been effective in raising the issue of corruption and inciting political parties to reflect on their own performances. Party reform is now a part of almost every discussion pertaining to the future of politics in Nepal; internal reform is seen as necessary in regaining public trust. Initiatives like NDI's have helped provide political parties with the knowledge and skills necessary to correct for past practices, provided the parties have the will to do so. NDI will continue to work closely with parties as they undertake these internal reforms.

## **VI. FUTURE ACTIVITIES**

This program ended on June 30, 2005, and NDI is currently working on the program's final report. NDI/Nepal's new two-year CEPPS agreement will provide a natural follow-up to the activities of this CEPPS grant, as political party reform is one of the main elements of the new CEPPS agreement. A planned visit by former Senator Majority Leader Tom Daschle to Nepal from July 21 to July 28, during which he will meet with major political party leaders, will emphasize the importance of party reform.

NDI/Bangladesh's continued work on aspects of anti-corruption will include: the development of tools for more accurate measurement of the extent of corruption; improved understanding of the "market" forces influencing political corruption; completion of the campaign spending index initiated during this quarter; and the development of innovative anti-corruption programs. NDI/Bangladesh will also work with the Association of Local Government and Development Journalists to devise a program for the publication of background information of registered candidates in the next election, which is expected to take place in 2007.